

# Ingram Barge Company

Presentation to

## **35<sup>th</sup> Annual Navigational Conference**

**McClellan – Kerr Arkansas River**

*by*

Craig Philip

President and CEO

June 2005

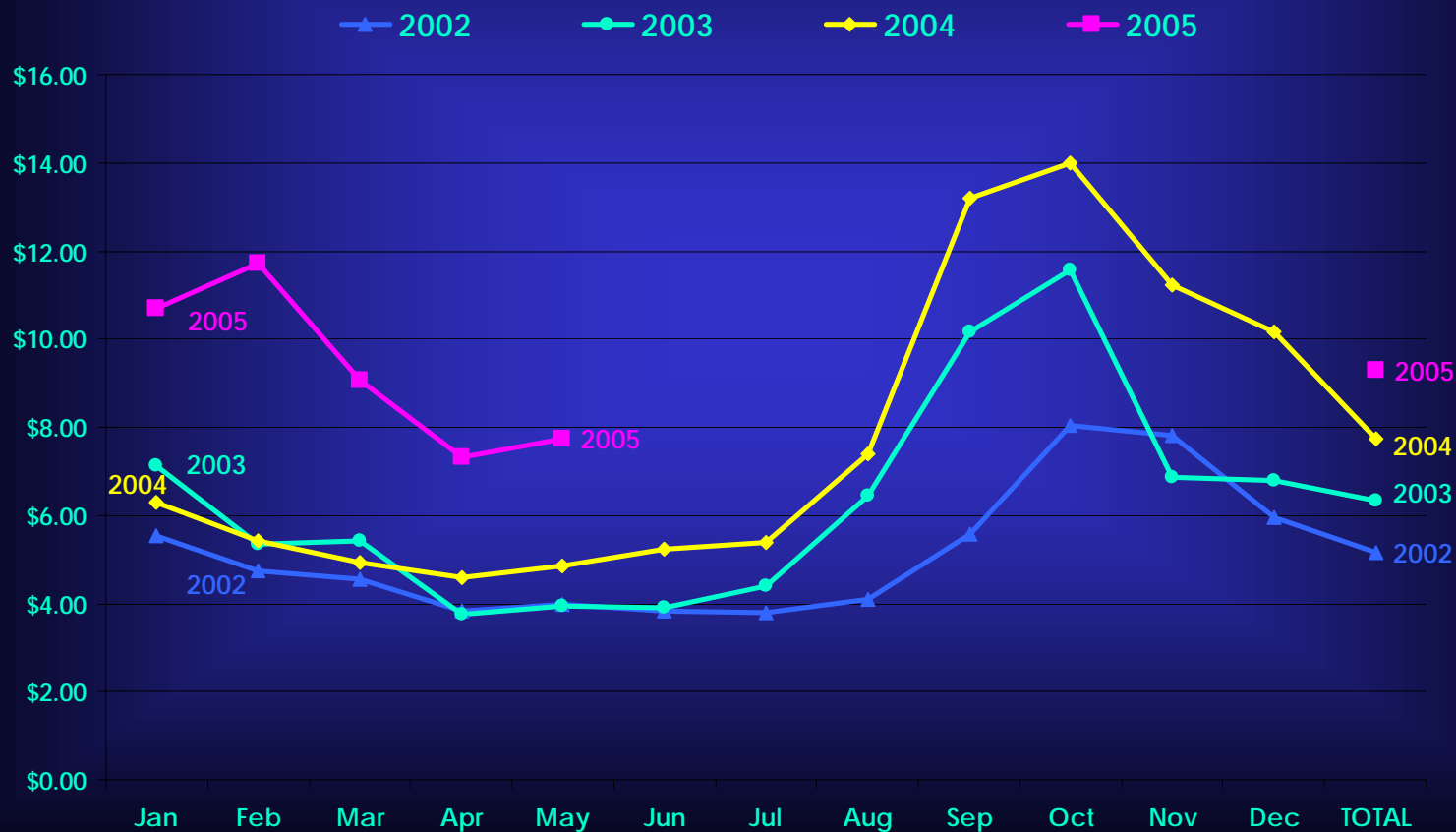
*Will future supply  
meet future demand  
in the barge industry?*

# Yes, *but*:

- ◆ In 2006 and 2007 barges will be in extremely tight supply
- ◆ The amount of capital required to replace an aging fleet will be reflected in the industry's rate structure

# St. Louis spot grain market

(\$ per ton)



## Market Outlooks

|                   | <i>(million tons)</i> | <u>1994</u> | <u>2003e</u> | <u>94/03e</u><br><u>CAGR</u> | <u>2009f</u> | <u>03e/09f</u><br><u>CAGR</u> |
|-------------------|-----------------------|-------------|--------------|------------------------------|--------------|-------------------------------|
| Utility coal      |                       | 141.4       | 151          | 0.7%                         | 167          | 1.7%                          |
| Other coal        |                       | 44.5        | 32           | -3.5%                        | 31           | -0.4%                         |
| Grain             |                       | 69.1        | 75           | 0.9%                         | 81           | 1.4%                          |
| Aggregates        |                       | 59.9        | 68           | 1.4%                         | 85           | 3.7%                          |
| Steel and related |                       | 20.8        | 21           | -0.1%                        | 29           | 5.7%                          |
| Fertilizer        |                       | 12          | 12           | 0.1%                         | 13           | 1.1%                          |
| Petroleum coke    |                       | 6.8         | 11           | 5.0%                         | 11           | 0.5%                          |
| Other             |                       | 31.3        | 33           | 0.6%                         | 34           | 0.4%                          |
| Total             |                       | 385.8       | 402          | 0.5%                         | 450          | 1.9%                          |

*Source: Criton Corporation*

## The inland hopper fleet: 1991 to 2004

| <u>Year-End</u> | <u>Open</u> | <u>Covered</u> | <u>Total</u> |
|-----------------|-------------|----------------|--------------|
| 1991            | 6,305       | 10,609         | 16,914       |
| 1992            | 6,188       | 10,440         | 16,628       |
| 1993            | 6,237       | 10,694         | 16,931       |
| 1994            | 6,113       | 10,950         | 17,063       |
| 1995            | 5,897       | 11,304         | 17,201       |
| 1996            | 6,206       | 11,535         | 17,741       |
| 1997            | 6,343       | 12,415         | 18,758       |
| 1998            | 6,436       | 12,706         | 19,142       |
| 1999            | 6,433       | 12,582         | 19,015       |
| 2000            | 6,168       | 12,544         | 18,712       |
| 2001            | 6,269       | 12,528         | 18,797       |
| 2002            | 6,091       | 12,486         | 18,577       |
| 2003            | 5,818       | 12,152         | 17,970       |
| 2004            | 5,732       | 12,056         | 17,788       |

*Source: Criton Corporation*

## Inland barge fleet

### Number of dry cargo barges operated

*1997*

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|                |               |            |
|----------------|---------------|------------|
| ACBL           | 3,871         | 21%        |
| ORCO           | 2,298         | 12%        |
| ARTCO          | 1,890         | 10%        |
| Ingram         | 1,586         | 8%         |
| Peavey         | 1,523         | 8%         |
| Cargo Carriers | 978           | 5%         |
| MEMCO          | <u>873</u>    | <u>5%</u>  |
| Total          | <u>13,019</u> | <u>69%</u> |
| Total Industry | 18,758        |            |

## Inland barge fleet

### Number of dry cargo barges operated

#### *Current*

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|                |               |            |
|----------------|---------------|------------|
| Ingram         | 3,889         | 22%        |
| ACBL           | 2,761         | 15%        |
| MEMCO          | 2,229         | 13%        |
| ARTCO          | 1,892         | 11%        |
| SCF            | 1,029         | 6%         |
| Crounse        | 990           | 6%         |
| Cargo Carriers | <u>930</u>    | <u>5%</u>  |
| Total          | <u>13,720</u> | <u>78%</u> |
| Total Industry | 17,800        |            |



## Inland barge fleet

### Number of dry cargo barges operated

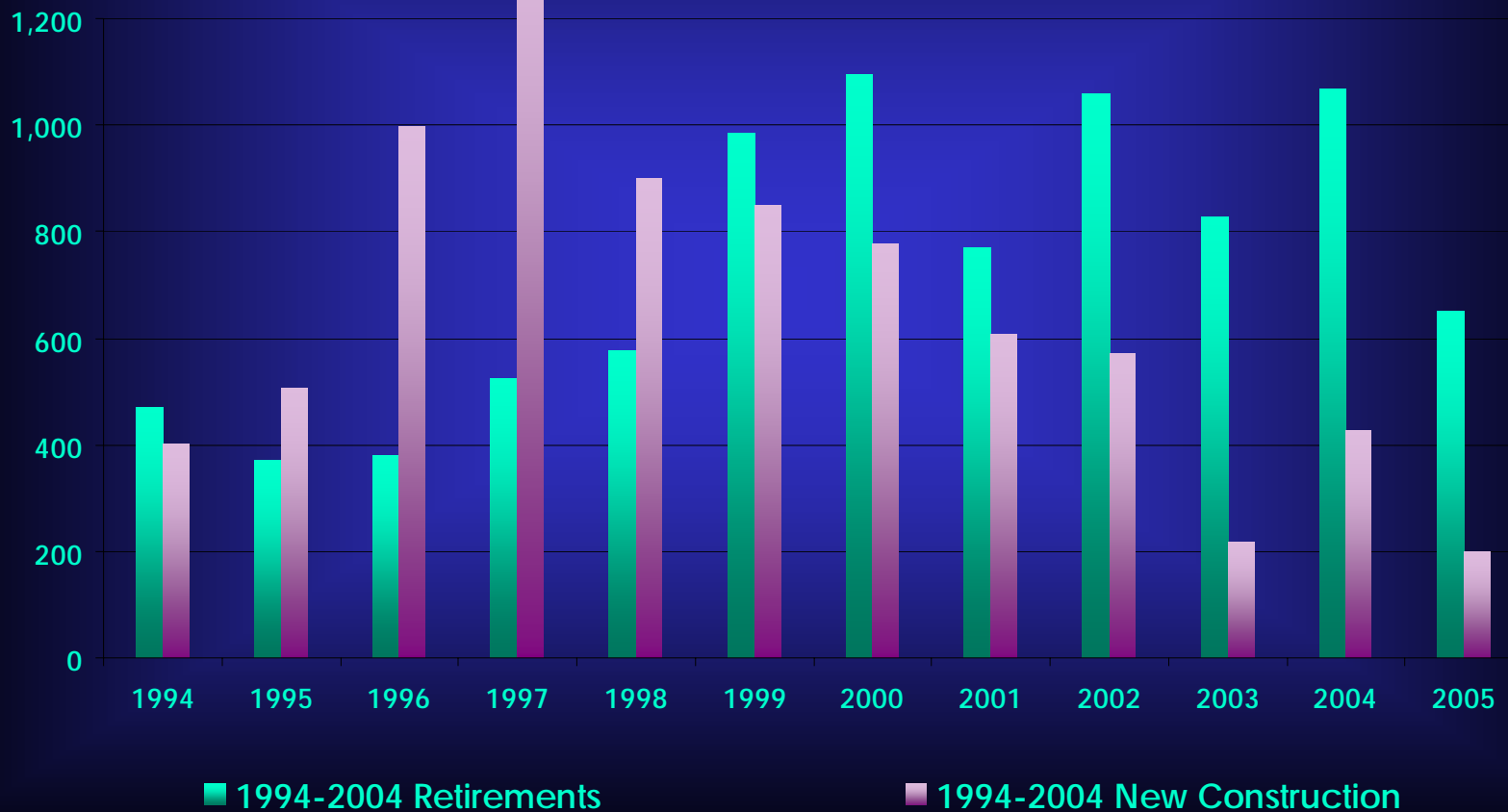
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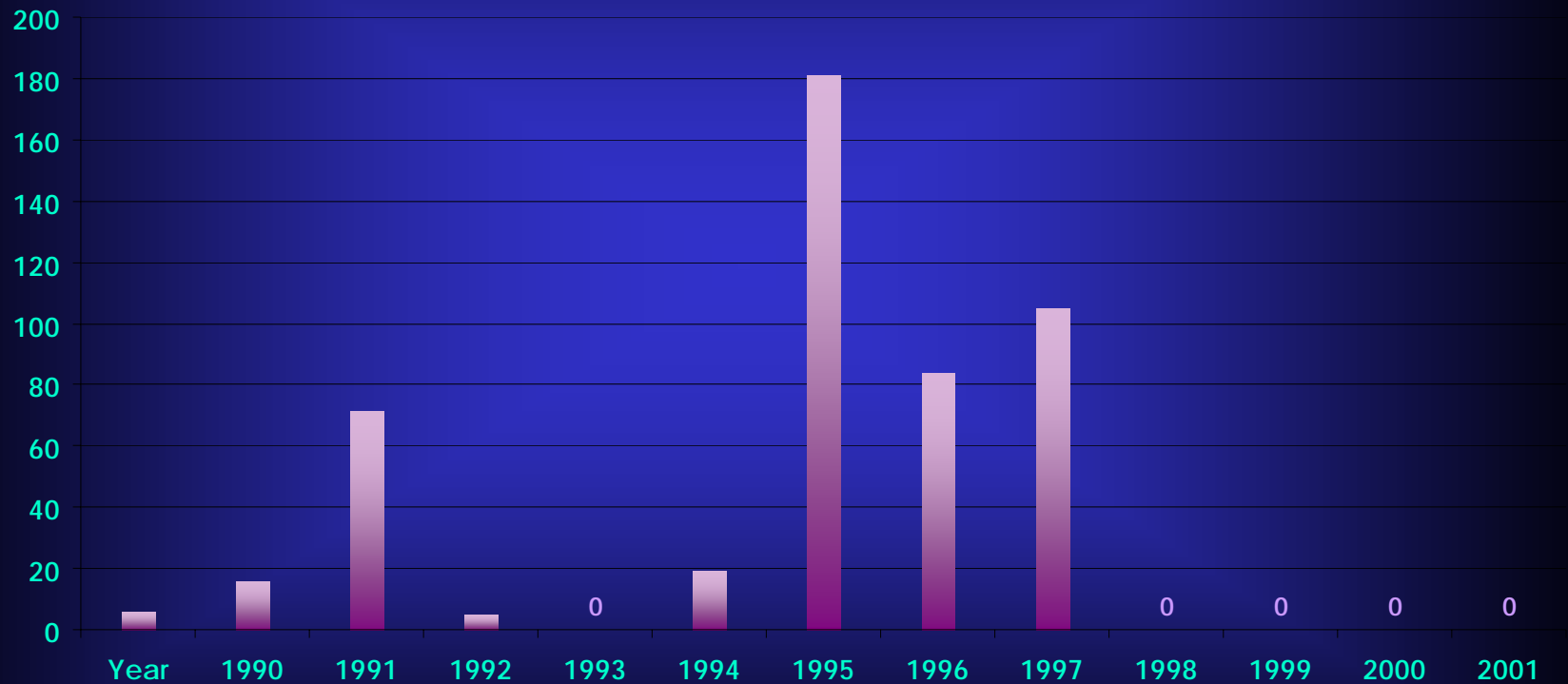
## Hopper Barges only - 1994 through 2004



## Ingram Barge growth through acquisition

| Year | Company                 |                 |                                       | Business Assumed                                      |
|------|-------------------------|-----------------|---------------------------------------|---|
| 1984 | Ohio Barge Line         | 15<br>470<br>46 | Boats<br>Hopper Barges<br>Tank Barges | US Steel, USS Chemical<br>Air Products & Chemicals    |
| 1988 | Arthur Smith            | 15              | Tank barges                           |   |
| 1988 | Chotin Transportation   | 27              | Tank barges                           |   |
| 1988 | American Barge & Towing | 8<br>370        | Boats<br>Hopper barges                | Farmland Industries                                   |
| 1989 | Systems Fuels           | 5<br>23         | Boats<br>Tank barges                  | Mid-South Utilities                                   |
| 1990 | Georgia Transporters    | 5               | Boats                                 | Whitaker Oil, WITCO, Chevron, Gulf<br>Power           |
| 1995 | M/G Transport           | 8<br>356        | Boats<br>Hopper barges                | Dayton Power & Light, Dravo Corp.                     |
| 1996 | Occidental Chemical     | 75              | Tank barges                           | Occidental Chemical                                   |
| 2002 | Midland Enterprises     | 2,288<br>82     | Hopper barges<br>Boats                | Cinergy, AE Staley, First Energy,<br>Southern Company |
| 2005 | Riverway                | 433<br>7        | Hopper barges<br>Boats                |   |

## Ingram Barge new construction since 1990



## Barge retirement outlook

### Barge Industry

#### Retirements by Year

|               |            | <u>2,004</u> | <u>2,005</u> | <u>2,006</u> | <u>2,007</u> | <u>2,008</u> | <u>2,009</u> | <u>Total</u> | <u>Avg.</u> |
|---------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <i>Covers</i> | '03 Criton | 748          | 736          | 713          | 680          | 630          | 614          | 4,121        | 687         |
|               | '04 SLD    | 1,099        | 1,557        | 1,775        | 554          | 345          | 727          | 6,057        | 1,009       |
| <i>Opens</i>  | '03 Criton | 340          | 300          | 267          | 240          | 224          | 187          | 1,558        | 260         |
|               | '04 SLD    | 269          | 187          | 470          | 220          | 144          | 305          | 1,595        | 269         |
| <i>Total</i>  | '03 Criton | 1,088        | 1,036        | 980          | 920          | 854          | 801          | 5,679        | 947         |
|               | '04 SLD    | 1,368        | 1,744        | 2,245        | 774          | 489          | 1,032        | 7,652        | 1,275       |

## Barge industry fleet by year

### Barge Industry

*Fleet Size by Year*

|               |            | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>Retire%</u> |
|---------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| <i>Covers</i> | '03 Criton | 12,056      | 11,308      | 10,572      | 9,859       | 9,179       | 8,549       | 7,935       | 34%            |
|               | '04 SLD    | 12,056      | 10,957      | 9,400       | 7,625       | 7,071       | 6,726       | 5,999       | 50%            |
| <i>Opens</i>  | '03 Criton | 5,732       | 5,392       | 5,092       | 4,825       | 4,585       | 4,361       | 4,174       | 27%            |
|               | '04 SLD    | 5,732       | 5,463       | 5,276       | 4,806       | 4,586       | 4,442       | 4,137       | 29%            |
| <i>Total</i>  | '03 Criton | 17,788      | 16,700      | 15,664      | 14,684      | 13,764      | 12,910      | 12,109      | 32%            |
|               | '04 SLD    | 17,788      | 16,420      | 14,767      | 12,431      | 11,657      | 11,168      | 10,136      | 43%            |

**2004**

## Industry estimate of hopper fleet reduction

**967** *Barges scrapped*

**100** *Barges sold overseas*

**1,067** *Total reduction*

**520** *Barges built in 2004*

**556** *Net reduction in fleet size*

*2005*

## Industry estimate of hopper fleet reduction

650 *Barges retired*

200 *Barges built*

450 *Barge net reduction*



*2006 estimate*

## Industry estimate of hopper fleet increase

650 *Barges retired*

700 *Barges built*

50 *Barge net increase*

## New hopper construction prices

|        | <u>2003</u> | <u>2004</u> | <u>Current</u> |
|--------|-------------|-------------|----------------|
| Opens  | \$240,000   | \$345,000   | \$380,000      |
| Covers | \$270,000   | \$375,000   | \$410,000      |

## Scrap barge value

| <u>2003</u> | <u>2004</u>         | <u>Current</u> |
|-------------|---------------------|----------------|
| \$12,000    | \$28,000 - \$50,000 | \$28,000       |

At \$400,000 per barge, the fleet size reduction of 1,000 barges in 2004 and 2005 would require a capital investment of \$400,000,000

# *Conclusions*

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- ◆ Although the barge industry is faced with a serious challenge to re-capitalize to renew an aging fleet, the current market rates justify investment
- ◆ 2006 and 2007 demand will exceed supply to some degree

